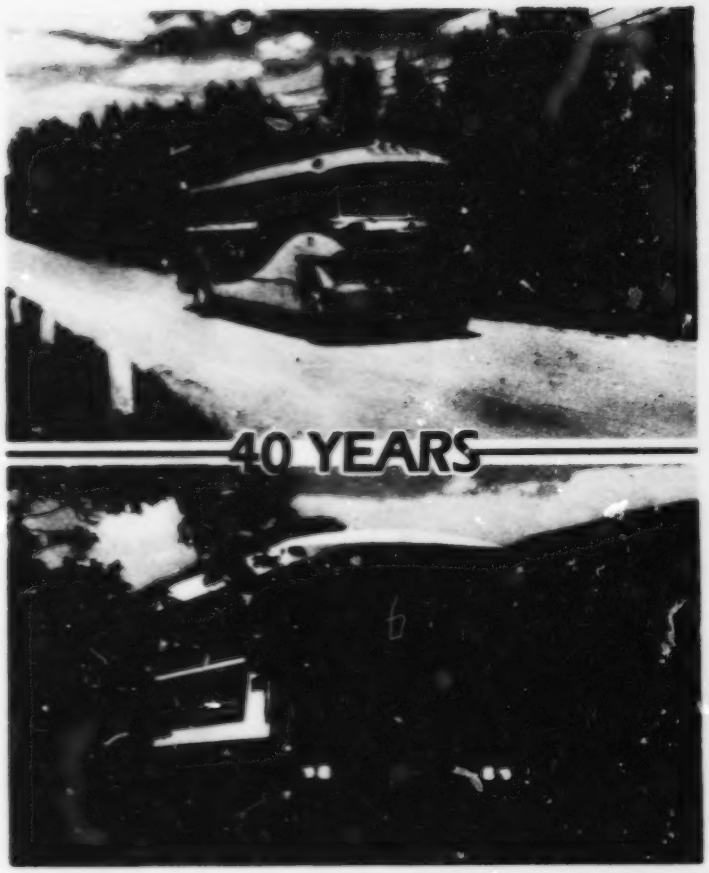
stc lines

1986 Annual Report



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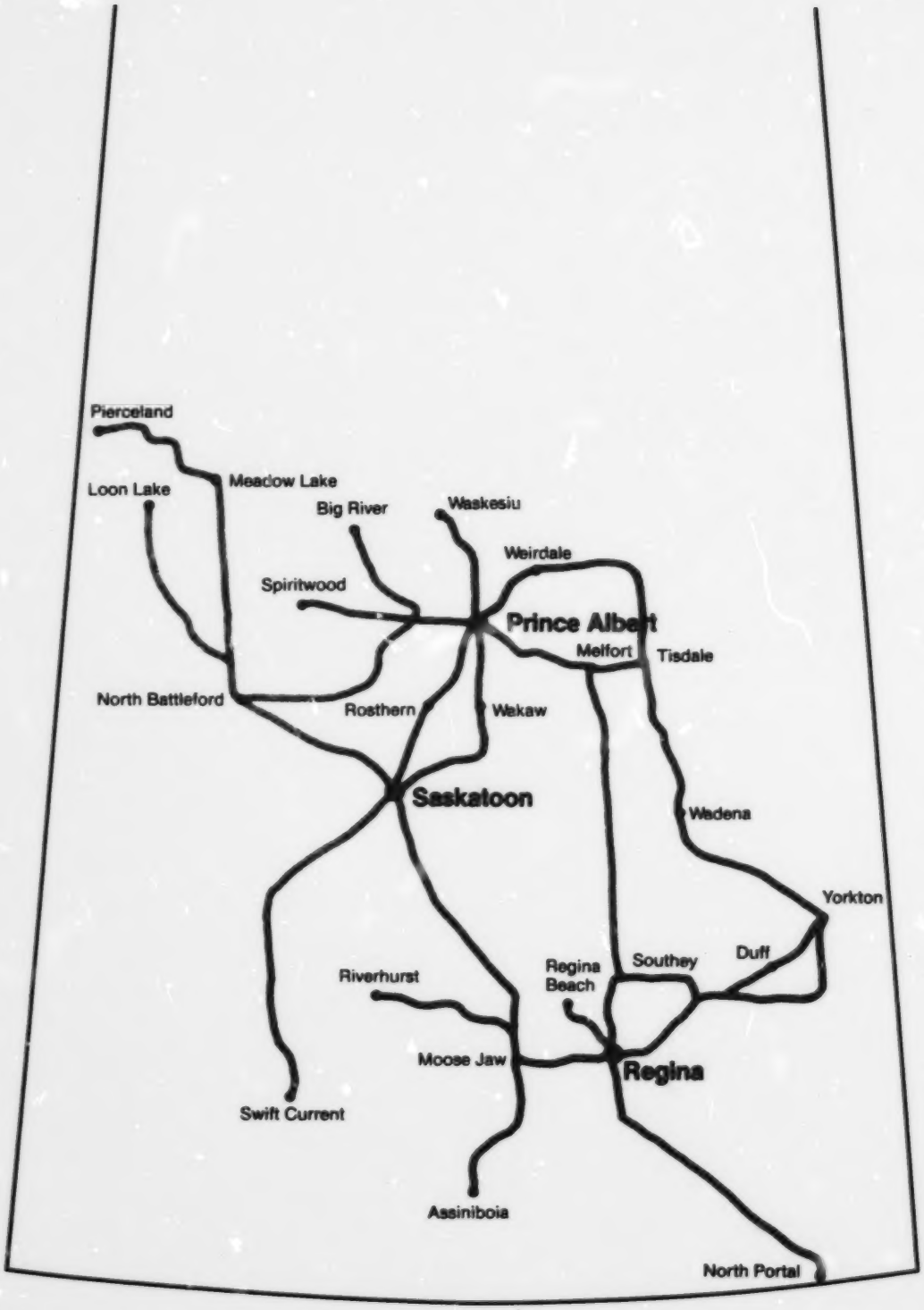
Route Map 1946



SASKATCHEWAN TRANSPORTATION COMPANY

1986
ANNUAL REPORT

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Corporate Directory

Board of Directors

As at October 31, 1986

Honourable Grant Hodgins	— Vice-Chairman
William G. Rudichuk	— Regina
Daryl Huber	— Lipton
Lillian Stelmaschuk	— Saskatoon
Shirley McKenzie	— Ponteix
Roy Simpson	— Meadow Lake
Ian D. Disbery	— Board Secretary

Joe Saxinger served on the Saskatchewan Transportation Company's Board until April 29, 1986.

Management

As at October 31, 1986

Don Castle	— President
Rick Millar	— Operations' Assistant to the President
Darrell W.T. Lowry	— Vice-President, Operations
David A. Sentes	— Vice-President, Finance & Administration
Greg G. Beattie	— Marketing Manager
Gerry G. Black	— Saskatoon Garage Manager
Gerry M. Karst	— Transportation Manager
Nelson Kingston	— Human Resources Manager
John Lyzaniwski	— Accounting Manager
Garry Oliver	— Regina Garage Manager

Letter of Transmittal

January 29, 1987

To His Honour F.W. Johnson
The Honourable Lieutenant
Governor of the Province of Saskatchewan

Dear Sir:

I have the honour to submit the Annual Report of the Saskatchewan Transportation Company for the year ended October 31, 1986, including the Financial Statements, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act 1978.

Your obedient servant,

Grant Hodgins

Grant Hodgins
Minister in Charge
Saskatchewan Transportation Company

President's Message

As President of Saskatchewan Transportation Company, I am proud to be part of a Company that has shared in both the development and growth of Saskatchewan over the past forty years.

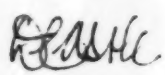
Since STC's inception in 1946, the Company's goal has been to provide first class transportation services to the people of Saskatchewan. That goal has been achieved.

Continued success will depend upon the Corporation and the entire bus industry overcoming some of the most critical challenges in its history. Increased competition (particularly in the parcel express market) and declining ridership have caused the industry to re-examine its operating practices. The industry, by concentrating intently on the needs of its customers, has responded with new services and enhanced service levels where warranted. Substantial emphasis has also been placed on increasing productivity in order to provide the required services at competitive prices. As well, the industry has been forced, in some situations, to withdraw services in areas where it was no longer economically feasible.

During 1985-86, STC focused primarily on meeting the changing demands. New services were introduced into the express market and further research was undertaken to determine customer needs. Initiatives, such as our Oil Analysis Program, Tire Maintenance Program, Preventative Maintenance Program and computerized Management Information System, will enable the Corporation to more efficiently provide service in the upcoming years.

The future challenge of STC will be to meet the demands of an ever-changing society by building upon our tradition of friendly, reliable and safe service, through increased productivity. I am confident that the agents and staff of STC will continue the hard work necessary to achieve our goals and to maintain the excellent reputation the Company has earned over the years.

I would also like to thank the people of Saskatchewan for letting STC be an important part of Saskatchewan's heritage.



Don Castle
President

40 Years of Bringing Saskatchewan People Together

The story of STC is a proud history of service to the people of Saskatchewan. Since its inception on April 1, 1946, STC's coaches have travelled more than 156 million miles, carrying over 23 million passengers and millions of pieces of parcel express safely to their destinations. In honour of the Corporation's 40th Anniversary, STC is proud to remember its roots — formed of prairie necessity and part of Saskatchewan's heritage.

IN THE BEGINNING, expansion was rapid and by the end of the first year, STC's fleet (which had increased from 7 vehicles operating on 4 routes to 36 coaches operating on 33 routes) had travelled 1½ million miles providing scheduled services to the people of Saskatchewan.

Growth during the next few years was less dramatic than the early beginnings. However, by the end of the 5th year, 65 coaches were in service, providing schedules on 35 routes. More than three million miles were being logged annually by this time and a charter service had been established with authorities to travel throughout Canada and to 25 American states.

THE 50's began with the building of facilities to meet the needs of a rapidly growing transportation service. The existing terminal in Prince Albert was expanded and the Moose Jaw facilities were improved. Bus travel cards, special fares, non-stop service between the major cities and escorted tours to the Saskatchewan public were introduced in this decade. The company's first diesel fueled coaches were purchased in 1953, which were not only more economical to operate, but less costly to maintain. In 1959, a new bus terminal and office building were officially opened in Regina. By the end of the decade, STC served more than 300 communities.

THE 60's were boom years for STC. Parcel express and charter services were expanding rapidly. In the mid-1960's a new express handling facility was built in Regina and 47 passenger coaches with enlarged cargo capacities were purchased to meet the rapidly growing volumes and increased demands for express service. STC moved into the next decade with a proven record of service and reliability.

THE 70's ushered in the introduction of fully packaged escorted tours and senior citizen discount fares. By 1971, STC's 25th Anniversary, 14 million passengers had travelled 81 million miles. In 1975, STC built a new bus depot in Saskatoon and an express building extension in Regina. Demand for STC's passenger and express services continued to experience steady growth by the end of the decade.

One of the keys to success in any endeavour is to recognize the trends and respond in the most appropriate manner. This was reflected in THE 1980's when STC initiated a number of new programs designed to provide the safest, most convenient and efficient transportation services to the people of Saskatchewan. This included expansion of the senior citizen discount; provision of specially designed wheelchairs for the handicapped; discounted rates for people travelling over STC lines or chartering STC coaches to special events in Saskatchewan; free transportation of eye bank containers; and discontinuance of escorted tours in recognition of the excellent services provided by the private sector.

In 1983, the Corporation upgraded its repair and maintenance capabilities by constructing a new garage in Saskatoon and enhanced its safety program in 1985 by equipping its fleet with tachographs which assist operators in maintaining the corporate maximum speed limit of 62 mph as well as stressing road management skills. In addition, the emphasis on standard coach operation (speed, shifting and passing techniques) has paid dividends by extending tire, brake and engine life, increasing fuel efficiency and reducing maintenance requirements and costs.

IN THE CURRENT YEAR, a number of initiatives developed in the 1985 fiscal year were successfully implemented.

As a result of customer research, STC introduced three new express programs in December 1985. 'Econopak', an envelope which provides an economic and convenient way to ship small packages under two pounds at a flat rate of $2.50 within the province; 'Bustle', a $3.00 specially marked label, ensures that customer's priority shipments get preferential treatment; and 'Relay Express', a pick up and delivery service offered in partnership with participating private delivery companies in Regina, Saskatoon and Prince Albert.

Phases I, II and III of the five phase Management Information System project were installed to effect cost control efficiencies through provision of required information to deploy manpower and equipment at optimum productivity levels and to enhance the corporate planning capabilities.

Throughout its history, STC has stressed safety in its operations. The Company is proud of its safety record, attributable to drivers skilled in 'defensive driving'. Drivers have earned safety awards for periods as high as 38 accident free years. Six drivers have also surpassed the two million miles driven mark and eighteen operators have driven over one million miles.

Over fifty employees are engaged in keeping STC's fleet in roadworthy, comfortable, clean and attractive condition. In addition to the daily servicing given each coach, comprehensive inspections of increasing scope and magnitude are made on a regular basis at prescribed mileage intervals. This rigid practice of preventative maintenance was strengthened in 1986 with the introduction of two diagnostic programs. The Oil Analysis Program identifies three categories (liquid contaminants, lubricant additives and wear metals) detrimental to engine life and is used to support the Company's prescribed mileage inspections. The Chassis Dynamometer Testing Program measures mechanical power thereby enabling early detection of engine and/or transmission faults and addresses one of the most important safety requirements of the maintenance department — wheel and brake effectiveness.

These sophisticated programs have contributed significantly to the maintenance department's success in supplying quality equipment in sound mechanical condition which has enabled STC to become the leading carrier in the province providing safe, reliable, efficient and comfortable passenger, express and charter services to the people of Saskatchewan.

STC will be called upon more than ever before to provide its services efficiently and effectively. To meet this challenge, the Company will look towards new technology and methods and the further development of its most valued asset — the employees of STC.

In planning for its future, Saskatchewan Transportation Company looks forward to the further contribution it can make to Saskatchewan's heritage.

1986 Financial Highlights

From a financial perspective, the Corporation experienced a particularly difficult year. It was confronted with declining passenger markets and faced severe cost pressures, while it fought to increase its revenues from the extremely competitive express and charter markets. As a result, the Corporation incurred a $2.8 million loss and used $2.3 million of cash in its operations.

Transportation Revenues (comprised of passenger, express, charter and commission revenues) amounted to $13.6 million, down $300,000 from last year. This decline is attributable predominantly to the soft passenger markets being experienced by the bus industry throughout North America.

Passenger revenues of $6.5 million declined by $398,000, with ridership dropping 40,000 to 697,000. These declines occurred while fares were held constant. Low gasoline prices, which tend to dominate the decision to travel by automobile, and the generally mild winter weather conditions, were the major factors responsible for these declines.

Notwithstanding severe competition from both couriers and the postal service, express revenues increased $26,000 to $5.2 million. The Corporation's commitment to service and the introduction of Relay Express (a pick up and delivery service), Bustle (a priority service) and Econopak (an economical envelope service), contributed to this growth.

Charter revenues of $0.7 million, showed marginal growth over last year.

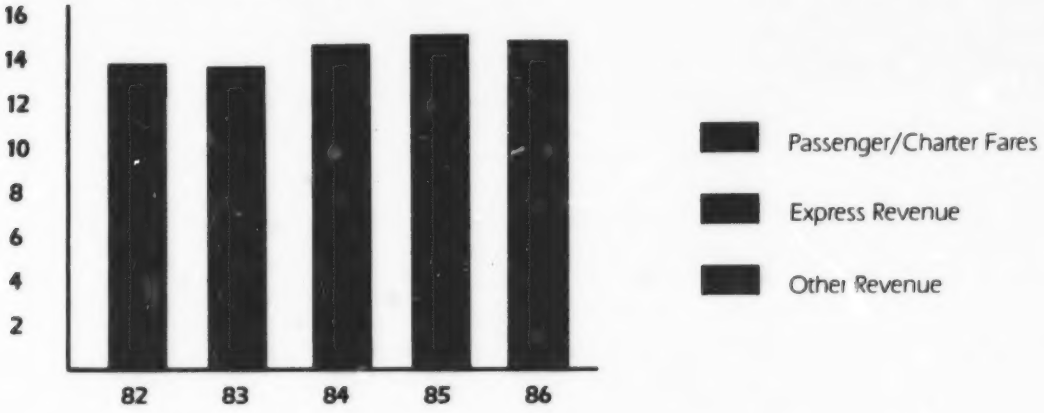
Commissions earned from the sale of other carriers' services and other transportation revenues amounted to $1.2 million, an increase of $100,000 over last year.

Other revenues of $0.5 million increased $77,000 over the previous year due predominantly to the increase in rental revenues and garage revenues which are generated from servicing and repairing foreign coaches.

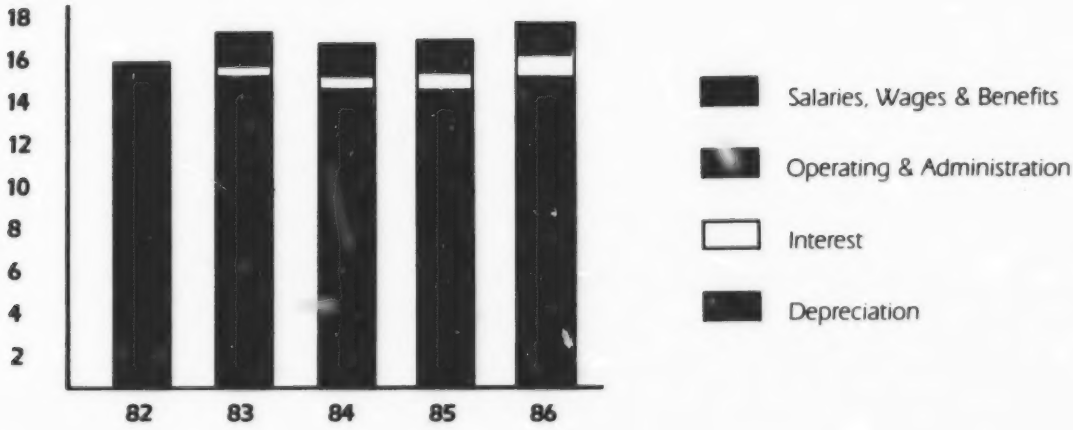
The $312,000 Gain on Sale resulted primarily from the disposition of surplus land that was no longer required for operations.

Total corporate expenses amounted to $17.3 million, an increase of 5.5% over the previous year. Rapidly escalating liability insurance costs, repairs to the Regina Depot, information and human resource system development costs, as well as increased interest costs accounted for the majority of this increase.

Revenues 1982 - 1986



Expenses 1982 - 1986



Human Resources

The loyalty, hard work and dedication of those who have laboured in the Company's service, have greatly contributed to STC's forty year success story of providing an outstanding, efficient and courteous transportation service to the travelling public and to the people of Saskatchewan. In honour of these attributes, STC recognizes and salutes the following STC employees and agents upon reaching milestone years of service in 1986:

25th Anniversary:	Betty Anderson, Administrative Assistant, Regina
	Larus B. Johnson, Agent, Tessier
	Oie Thoresen, Mechanic, Prince Albert
	Louis Zambal, Agent, Stockholm
30th Anniversary:	Morgan Jenkins, Sales & Service Supervisor, Regina
	Charles Kessler, Mechanic, Regina
	Elmer Ruecker, Motor Coach Operator, Regina
	Wally Yuzdepski, Ticket Sales Clerk, Saskatoon
35th Anniversary:	Jack Atherton, Sales & Service Supervisor, Saskatoon
	Don Hamilton, Maintenance Clerk, Saskatoon
	Ernie Scherle, District Manager, Regina
40th Anniversary:	Arnie Goodmanson, Agent, Girvin
	Josephine Hallberg, Agent, Halbrite
	Arthur McKenzie, Mechanic, Regina

Sincere appreciation is also extended to the following employees, who retired in this fiscal year, for their years of valued service to the Company:

Barney Berting	Motor Coach Operator, Regina May 7, 1947 - January 1, 1986
Ernie Hinke	Head Caretaker, Saskatoon October 10, 1979 - October 1, 1986
Steve Huchkowsky	Serviceman, Saskatoon October 5, 1976 - January 1, 1986
Myles Kennedy	Mechanic, Regina June 8, 1948 - January 1, 1986
Walter Kopciuch	Head Caretaker, Regina November 19, 1955 - October 1, 1986
Joe Leoppky	Serviceman, Prince Albert August 16, 1948 - May 25, 1986
Bob Markiewicz	Motor Coach Operator, Prince Albert July 4, 1957 - July 5, 1986
Ed Oleck	Motor Coach Operator, Saskatoon May 10, 1958 - July 12, 1986
Elmer Utigard	Mechanic, Saskatoon May 18, 1955 - July 1, 1986

All the Company's employees were saddened by the untimely death of their friend and associate Pete Bolen, on June 23, 1986. Mr. Bolen had been employed in the Regina Service Garage since August, 1946.

FINANCIAL STATEMENTS

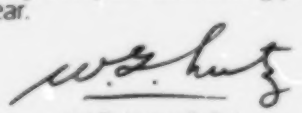
YEAR ENDED
OCTOBER 31, 1986

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Transportation Company as at October 31, 1986 and the statements of operations and deficit and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at October 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
December 23, 1986

W.G. Lutz, F.C.A.
Provincial Auditor

Statement of Financial Position

As at October 31

	1986	1985
	(Thousands of Dollars)	
ASSETS		
Current Assets		
Cash	$ 12	$ 11
Accounts Receivable	1,177	1,228
Supplies and Parts Inventories	321	291
Prepaid Expenses	165	185
	$ 1,675	$ 1,715
Property and Equipment (Note 3)	$11,077	$11,232
	$12,752	$12,947
LIABILITIES & PROVINCE'S EQUITY		
Current Liabilities		
Bank Indebtedness	$ 692	$ 1,583
Accounts payable and accrued liabilities	2,232	1,749
Notes payable (Note 4)	7,448	4,974
Loan Payable (Note 5)	826	500
	$11,198	$ 8,806
Long Term Liabilities		
Obligation Under Capital Lease (Note 6)	226	-
	$11,424	$ 8,806
Province of Saskatchewan's Equity		
Advances (Note 7)	$11,635	$11,635
Deficit	(10,307)	(7,494)
	$ 1,328	$ 4,141
	$12,752	$12,947

(See accompanying notes)

Statement of Operations and Deficit

Year Ended October 31

	1986	1985
	(Thousands of Dollars)	
REVENUES		
Transportation Services	$13,648	$13,942
Other Revenues	519	442
Gain on Sale of Property and Equipment	312	281
	$14,479	$14,665
EXPENSES		
Operating	$13,175	$12,920
Administration	2,619	2,175
Depreciation	794	794
Interest	704	497
	$17,292	$16,386
NET LOSS	$ (2,813)	$ (1,721)
DEFICIT - BEGINNING OF YEAR	(7,494)	(5,773)
DEFICIT - END OF YEAR	$(10,307)	$(7,494)

(See accompanying notes)

Statement of Cash Flows

Year Ended October 31

	1986	1985
	(Thousands of Dollars)	
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net Loss	$(2,813)	$(1,721)
Add (Deduct) Items Not Requiring or Generating Cash		
Gain On Sale of Property & Equipment	(312)	(281)
Depreciation	794	794
	(2,331)	(1,208)
Net Change In Non-Cash Working Capital Items Related to Operations (Note 9)	524	135
	$(1,807)	$(1,073)
CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		
Additions to Property & Equipment	$ (708)	$(1,860)
Proceeds from Disposal of Property and Equipment	381	394
	$ (327)	$(1,466)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Increase in Long Term Borrowings	$ 226	$ –
Increase in Short Term Borrowings	2,800	5,474
	$ 3,026	$ 5,474
NET INCREASE IN CASH POSITION	$ 892	$ 2,935
Cash Position at Beginning of Year	(1,572)	(4,507)
CASH POSITION AT END OF YEAR	$ (680)	$(1,572)

Cash Position comprises cash less bank indebtedness.

(See accompanying notes)

Notes to Financial Statements

1. **Status of Saskatchewan Transportation Company**

   The Saskatchewan Transportation Company was established by Order in Council # 168 in 1946 and continues under The Crown Corporations Act, 1978.

   The accounts of the Corporation are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan.

2. **Significant Accounting Policies**

   The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to Saskatchewan Transportation Company.

   (a) Property and Equipment

   Property and equipment are stated at cost, less accumulated depreciation. Expenditures on repairs which extend the useful life of an asset such as refurbishments and structural repairs are capitalized. Normal maintenance such as engine and drivetrain repairs or replacement, mechanical repairs and preventative maintenance are expensed as incurred.

   Gains or losses on sales of property and equipment are recognized in the statement of operations as they occur.

   (b) Depreciation of Buildings and Equipment

   Depreciation is recorded on the straight-line basis at rates designed to amortize the cost of the fixed assets over their estimated useful lives after considering residual values. Depreciation rates are as follows:

Buildings	2.5% to 10%
Coach Equipment	11.1%
Other Equipment	10% to 20%

   (c) Supplies and Parts Inventories

   Inventories of vehicle parts and supplies are stated at the lower of average cost or replacement cost.

   (d) Lease

   Leases that substantially transfer all of the benefits and risks of ownership of property to the Corporation are accounted for as capital leases.

   At the time a capital lease is entered into, the asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital lease is being amortized over the term of the lease on a straight line basis.

3. **Property and Equipment**

	Cost	1986 Accumulated Depreciation	Net Book Value	1985 Net Book Value
		(Thousands of Dollars)		
Land	$ 1,772	$ —	$ 1,772	$ 1,823
Buildings	6,927	1,560	5,367	5,290
Coach Equipment	7,574	4,486	3,088	3,610
Equipment Under Capital Lease	278	13	265	–
Other Equipment	905	320	585	509
	$17,456	$6,379	$11,077	$11,232

4. **Notes Payable**

The notes payable are comprised of Bankers' Acceptances bearing effective interest rates of 8.80% to 8.90% (1985 - 9.08% to 9.25%). The notes are stated net of discount with a maturity value of $7,500,000 (1985 - $5,000,000).

5. **Loan Payable**

The Loan from the Crown Investments Corporation of Saskatchewan is non-interest bearing and is repayable upon demand of the Crown Investments Corporation. In 1985, the loan bore interest at the prime lending rate less ¼% and was due on December 31, 1985.

6. **Obligation Under Capital Lease**

The following is a schedule by year of future minimum lease payments together with the balance of the obligation under the capital lease:

	(Thousands of Dollars)
1986-87	$ 67.4
1987-88	67.4
1988-89	67.4
1989-90	67.4
1990-91	67.4
1991-92	11.4
	348.4
Amount representing interest at 10.75%	82.0
Total Future Minimum Lease Payments	$266.4
Less Current Amount Included in Accounts Payable	40.8
Balance of Obligation	$225.6

7. **Advances**

Advances received from the Crown Investments Corporation of Saskatchewan are intended as long term equity capitalization for the Corporation. These advances are non-interest bearing with no fixed terms of repayment.

8. **Pension Plans**

The Corporation participates in two pension plans. One is the STC Employees Superannuation Plan established pursuant to the Public Service Superannuation Act, and is a benefit based plan. The other is the Crown Investments Corporation Pension Plan 39562, which is a money purchase plan. Employees hired after September 1, 1980 are required to contribute to the money purchase plan.

The Corporation's financial obligations to each of the plans are limited to making regular payments to the plans to match the amounts contributed by the employees for current service.

9. **Net Change In Non-Cash Working Capital Items**

The net change in non-cash working capital is comprised of the following items:

	1986	1985
	(Thousands of Dollars)	
Accounts Receivable	$ 51	$(243)
Supplies & Parts Inventory	(30)	(21)
Prepaid Expenses	20	9
Accounts Payable	483	390
	$524	$135

10. **Related Party Transactions**

Included in these financial statements are revenue and expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

11. **Comparative Figures**

For comparative purposes certain 1985 figures have been reclassified to conform with the current year's financial statement presentation.

Corporate Information

Head Office: 2041 Hamilton Street
Regina, Saskatchewan
S4P 2E2

Terminal Facilities

Regina Depot
2041 Hamilton Street
Regina, Saskatchewan
S4P 2E2

Passenger Services: (306) 787-3340
Express Services: (306) 787-3350
Charter Services (306) 787-3360

Saskatoon Depot
50 - 23rd Street East
Saskatoon, Saskatchewan
S7K 0H8

Passenger Services: (306) 933-5700
Express Services: (306) 933-5707
Charter Services: (306) 933-5712

Prince Albert Depot
20 - 14th Street East
Prince Albert, Saskatchewan
S6V 1E6

Passenger Services: (306) 953-3704
Express Services: (306) 953-3700
Charter Services: (306) 953-3710

Garage Facilities

Regina
Wallace Street & 9th Avenue
Phone (306) 787-3362

Saskatoon
88 King Street
Phone (306) 933-7162

Prince Albert
20 - 14th Street East
Phone (306) 953-3707

Five Year Statistical Profile (Unaudited)

	1985-86	1984-85	1983-84	1982-83	1981-82
Income (000's)					
Scheduled Services	$11,756	$12,128	$12,059	$11,164	$10,565
Other	2,723	2,537	2,361	2,532	3,252
Total:	$14,479	$14,665	$14,420	$13,696	$13,817
Expenses (000's)					
Operating & Administration	$15,794	$15,095	$15,022	$15,452	$14,974
Interest	704	497	382	200	44
Depreciation	794	794	812	875	881
Total:	$17,292	$16,386	$16,216	$16,527	$15,899
Net Loss (000's)	$ 2,813	$ 1,721	$1,796	$ 2,831	$ 2,082
Assets at Book Value (000's)	$11,077	$11,232	$10,279	$11,072	$12,102
Miles Operated (000's)					
Scheduled Services	5,128	5,117	5,127	5,195	5,294
Other	397	368	362	393	519
Total:	5,525	5,485	5,489	5,588	5,813
Route Passengers					
Number Carried (000's)	697	737	731	773	797
Passenger Miles (000's)	75,051	78,781	77,986	82,288	84,394
Average Distance/Passenger	107.6	106.9	106.6	106.5	106.0
Coach Statistics					
Number of Coaches	62	62	69	70	78
Miles/Coach	89,112	84,899	78,988	72,362	76,002
Average Age of Fleet	9.1	8.1	8.7	7.8	7.3
Number of Employees					
Coach Operators	94	94	96	95	98
Maintenance	51	54	51	57	58
Terminal	89	86	85	90	96
Admin. & Management	65	60	61	62	71
Total:	299	294	293	304	323
Salaries, Wages & Benefits (000's)	$9,981	$9,779	$9,683	$9,854	$9,440

Route Map 1986